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# BUSINESS CONDITIONS

Vol. 6 No. 2

February, 1933

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	Business has shown little sign of emerging from doldrums; Congress has prolonged uncertainty by failing to act on pressing government problems (Feb. 18).	We anticipate improvement in industry and general business accompanied by higher security and wholesale commodity prices this year (Feb. 20).	Weeks immediately ahead will be critical; unless destructive forces can be stopped, renewal of major decline in business and security markets must be expected (Feb. 20).	Country now going through last phase of extreme fear psychology; next important movement in bond, stock, commodity markets, and general trade will be upward (Feb. 17).	Business has since thro mer trac
MONEY AND CREDIT	Stage set for progress: loan-deposit ratio of banks low; supply of loanable funds ample; \$500,000,000 increase in reserves of member banks in six months (Jan. 28).	Michigan situation reflects local difficulties and does not foreshadow any nation-wide banking distress; money rates destined to decline still further (Feb. 20).	Figures of money in circulation show that hoarding is again assuming serious proportions; necessity for closing Michigan banks indicates growing financial tension (Feb. 20).	Definite opinion offered that no currency debasement will take place in U. S. and that gold standard will become more firmly established than ever (Feb. 17).	Di Mich in a dolla circu cred (Feb.
SECURITY MARKETS	Definite trend in stock market must await breaking of November levels on upside or of December on downside; probabilities favor former (Feb. 2).	Securities of first companies which seem about to turn corner will unmistakably be bid up with rush (Feb. 13); Spring outlook for bond market good (Feb. 20).	Due to precariousness of present economic situation, renewed declines in bonds and in stocks probable in next few months (Feb. 20).	Next stage of stock market can be expected to usher in "trader's paradise," when frequent trading is justified and some one outstanding stock will advance spectacularly (Feb. 17).	U ment gre port ness
PRODUCTION	If trend of manufacturing during last 5 months of 1932 marked beginning of recovery as now seems probable, at same rate, high point of 1929 will be regained in 1936 (Feb. 4).	Steel industry does not indicate any spectacular increase in activity, although some seasonal upturn now under way; for 1933 as whole steel output will be above 1932 (Feb. 20).	Automobile plants currently show increased activity over previous low months, but demand from dealers and sales to public reported disappointingly low (Jan. 31).	Steel operations have advanced moderately; electric power consumption has declined; automotive industry has been affected by Ford shutdown (Feb. 3).	Sa steel by e will iness (18).
DISTRIBUTION	Trend of value of department store sales likely to flatten during 1933; physical volume of goods sold should not show much further curtailment and may even increase (Feb. 4).	It is anticipated that there will be increase in carloadings of certain products during first quarter of year compared with year ago (Feb. 20).	Railroad financial difficulties in increasing number and severity can only be forestalled by greater volume of traffic (Feb. 20); improvement in industry essential to latter (Feb. 13).	Freight carloadings, after holding to even keel during concluding months of 1932, have fallen off moderately in early weeks of 1933 (Feb. 17).	Ca will 1932 gene cepti mon
BUILDING	January contracts in 37 Eastern states showed gain of 12.6% over December; increase especially favorable because usual seasonal trend is downward (Feb. 11).	After seasonal correction, latest figures of building show some improvement though still below last year; trend apparently downward (Feb. 20).	Recovery in building from recent low levels possible but any worthwhile improvement must await better conditions in capital markets and solution of economic problems (Jan. 31).	New construction contracts for January, 1933, were greater than in December and almost equal to January, 1932 (Feb. 17).	Ja publ enter apar work not c
AGRICULTURE		Prices of agricultural products will soon advance; definite revival of farming regions expected before end of year; may appear by Spring or early Summer (Feb. 20).	Only severe crop failures in several parts of world would raise wheat prices materially, as long as acreage in production remains as large as at present (Feb. 20).		No serio ings again of tr
COMMODITY PRICES	Spread between prices of raw materials and manufactured goods wider now than last May; spread then exerted greatest downward pressure on business since depression began (Feb. 11).	Weakness in wholesale prices seems nearing end; strengthening tendency expected as improvement in business develops (Feb. 6).	While some recovery in prices has followed recent decline to very low levels, outlook is not promising so long as financial situation remains disturbed (Feb. 20).	Little question but that 1933 will witness another great rise in world gold production which will in due course make for great rise in world price level (Feb. 17).	Pr and Amer eign fear Euro (Feb.
FOREIGN TRADE AND CONDITIONS	Instability continues in foreign situation with drawn-out controversy over war debts, political upheaval in Germany, Japanese invasion of Manchuria, active fighting between Colombia and Peru (Feb. 18).	This Spring international developments will help to restore confidence; increasing probability of lump sum settlement of British debt constructive factor (Feb. 20).	Conditions abroad, except British war debt situation, show no improvement; drastic action will be necessary before Japan's aggressive tactics in China will be modified (Feb. 20).	England made nice profit out of paying debt owed U. S. in gold last December; England will doubtless return to gold standard immediately after war debt negotiations concluded (Feb. 10).	If issue lems nation functional (Feb.
LABOR AND WAGES	Number of unemployed persons reached new high peak of 12,000,000 in January (Feb. 18).	Rising employment and payroll totals will mark Spring months in major industries; further wage cuts still lie ahead with steel industry leading way (Feb. 20).	Growing burden of relief for unemployed is world-wide; likely to produce dole in U. S.; unemployment situation weakening foundation of social order (Feb. 20).	Once high order of confidence established, business will then increase and employment will gain (Feb. 3).	Di decli porat burse indus nearl

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# NS AND FORECASTS

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By M. RODGERS LINDSAY  
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1933

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SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>Business situation and outlook has definitely turned for worse since year began; earning power throughout industrial and commercial field will be further contracted (Feb. 11).</p>	<p>Balanced Federal budget, preservation of sound currency, reciprocal tariff agreements, measures to restore international trade and exchange essential to restore confidence (Feb. 15).</p>	<p>General outlook depends on governmental action; balanced budget, sound tax basis, settlement of debt problem, adjustment of tariffs, revision of anti-trust laws would be constructive (Jan. 30).</p>	<p>Business, uncertain as to government action on taxation, budget, monetary debasement, international problems, is hesitating to plan expansion needed to revive heavy industries (Feb.).</p>
<p>Disturbing financial events: Michigan bank moratorium; turn in foreign exchanges against dollar; rapid rise in money in circulation. Further unsettled credit conditions may emerge (Feb. 18).</p>	<p>Currency inflation sufficient to raise prices would carry us off gold and become uncontrollable; we need to expand our bank credit, not to increase currency (Feb. 15).</p>	<p>Controlled inflation difficult or impossible; would result in artificial business boom followed by inevitable crash (Jan. 30).</p>	<p>Basis for recovery laid in check to deflation and in accumulation of idle capital and unused banking reserves ready for business when can be profitably used (Feb.).</p>
<p>Unfavorable financial developments have occasioned fair degree of liquidation in many important stocks; distinct weakness in bond market (Feb. 18).</p>	<p>Inflationary proposals include those for issuing money to finance expansion of industrial production in hope creation of larger supply of goods would induce demand that would consume them (Feb. 15).</p>	<p>Advance in bonds in first half of January followed by irregular reaction and renewed advance to level near mid-month peak. Month's trend as whole favorable (Jan. 30).</p>	<p>Action of security markets has been in line with general quietness. Stocks and bonds have moved mostly sideways (Feb.).</p>
<p>Sag in production schedules of steel industry highly probable by end of month; steel industry will see meagre volume of business in first half of 1933 (Feb. 18).</p>	<p>Among inflationary projects to cause stimulation of business are plans by which Treasury would issue billions of notes to pay for great programs of public works (Feb. 15).</p>	<p>After more than seasonal decline in December, steel activity rose moderately during first three weeks of January (Jan. 30).</p>	<p>Retail trade has run behind year ago by about same margin as in December; dollar sales of N. Y. department stores first half of January 22.7% below 1932 (Feb.).</p>
<p>Carloadings for next 5 months will probably fall well under 1932; decline in dollar sales of general merchandise chains exceptionally sharp past few months (Feb. 18).</p>	<p>There are projects to issue large volumes of new currency for refinancing farm mortgages or lending on farm lands up to high percentages of appraisal values (Feb. 15).</p>	<p>Freight loadings declined somewhat less than seasonally in December; total for 1932 about 24% below 1931; changes this year have conformed to seasonal trend (Jan. 30).</p>	<p>In opinion of F. W. Dodge Corp., construction contracts awarded in first quarter will be less than last year's figure by perhaps 15% (Feb.).</p>
<p>January building gain due to public works and engineering enterprises; 1933 construction, apart from public and utility work, will not exceed and may not equal 1932 (Feb. 18).</p>	<p>It would be extremely difficult to devise a modification of our money system that would successfully operate to cause general advance in prices (Feb. 15).</p>	<p>Adjusted index of construction activity moved downward in December (Jan. 30).</p>	<p>Prices of chief farm cash products—wheat, cotton and livestock—have been firm or steady (Feb.).</p>
<p>No one justified in overlooking serious portent of mass uprisings of farmers in many sections against foreclosure and payment of taxes (Feb. 11).</p>	<p>Gold prices of wholesale commodities in international trade are always about same world over; no nation acting alone can hope to control or even greatly influence them (Feb. 15).</p>	<p>Farm parity measure unlikely to become law in present session of Congress; scheme open to many objections; would tax one group of citizens for benefit of another (Jan. 30).</p>	<p>Commodity prices on whole have lost ground; weakness in petroleum group, silk, some of tropical products. Disparities within price structure have widened (Feb.).</p>
<p>Price problem is world-wide and will continue to exist until American apprehension of foreign goods and contradictory fear of not receiving what Europe owes us submit to reason (Feb. 11).</p>	<p>Dividend disbursements have declined 30% since 1929; corporate interest and dividend disbursements not over 15%; while industrial payrolls have shrunk nearly 60% (Feb. 4).</p>	<p>Prices continue to decline. Business recovery practically impossible without some readjustment in price level—at least check to process of deflation (Jan. 30).</p>	<p>Instability of foreign exchanges greatest business disturbance and major cause of international price decline; relief imperative through adjusting inter-governmental debts (Feb.).</p>
<p>If sidestepping of world-wide issues continued and trade problems not solved to permit international trade and finance to function more normally, inflationary measures to be feared (Feb. 11).</p>	<p>Coming World Economic Conference will consider monetary policy, prices, resumption of free movement of capital, trade restrictions, tariffs and commercial treaties (Jan. 30).</p>	<p>In December, industrial employment declined 0.4% and payrolls 0.9%; declines were somewhat larger than are usually shown in December (Jan. 30).</p>	<p>Wage cuts and other measures to cut costs and thus restore trade and employment, are largely ineffective so long as pressure on raw materials prices lasts (Feb.).</p>